Point Foundation

Strategy Project

Final Presentation

Board of Directors Discussion Document

December, 1991

Stanford University Graduate School of Business
Alumni Consulting Team

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1. Executive summary.

OBJECTIVES: Point Foundation asked the Stanford Business School Alumni Consulting Team to help:

- Identify the key strategic operating issues facing Point and advise upon strategic direction.
- Increase WER's circulation and impact and to help the organization build a stronger financial footing.

FINDINGS

- The Whole Earth Review is the principal operating activity of Point and the prospects of the organization primarily drive off of the prospects for the magazine.

- WER appeals to a market which we believe is large enough to warrant increased circulation marketing efforts.
  - Current readers expressed strong satisfaction with the magazine, suggesting that finding more like them is a key to growth;
  - Consistent mailing list rental sales indicate a larger market is available than is currently served by WER.
  - Other magazines with similar niche market approaches have larger circulations.

- The ACT Team analyzed several growth options, concluding that:
  - The current growth trajectory is flat and will not provide growth necessary to reach Point's goals.
  - Single copy distribution growth will not enable Point to achieve its circulation goals for the Review, but can be a necessary and important channel.
  - Direct marketing techniques, properly tested and executed, are the most effective way to grow the subscriber base.
    - -- Undertaking such a campaign requires large investments and disciplined execution.
  - Advertising sales appears to be acceptable to readers, and can provide information and services of interest to them and revenues to the magazine for supporting direct mail campaigns.

- Demographically, WER readers are highly educated, with average household incomes despite their education, and work in occupations such as secondary school teachers, librarians, blue collar, technical, professional.

- Further work needs to be done to define this population and their interests and estimate the size of this pool.
- Point should consider whether its "impact" goals are served by appealing to this audience.
- To appeal to a larger audience, the editorial platform must be open to appealing to new prospects.

- The key preliminary hypotheses for expressing how readers value the magazine in a promotional campaign are:
  - Wide variety of distinctive information
  - Useful to personal growth

- To succeed at growing the organization substantially, WER must increase its managerial accountability, plan more formally, and operate closer to the reader.

RECOMMENDATIONS

- The steps in moving on the growth plan are:

  Circulation/Development
  - Develop a circulation/development plan with specific targets and timelines.
  - Raise investment for detailed market research and a direct mail campaign;
  - Conduct a more thorough customer survey to segment and target customers more effectively;

  Editorial

  Strong editorial leadership and management is necessary to achieve growth potential. Point must be open to adjusting editorial to:
  - Ensure consistent quality of content and design;
  - Avoid undermining the messages in promotional efforts;
  - Be sensitive to what readers value.

  Organizational Development
  - Upgrade job descriptions to ensure a high level of performance in the more challenging environment;
  - Implement formal planning systems to ensure that resources are available for actions required to reach goals and benchmarks are being achieved.

2. Introduction

- Project team members
- Project goals
- Rejected hypotheses
- Key problems

Introduction...

The Point Foundation asked the Stanford Business School Alumni Consulting Team to help them think through the concerns of the organization.

Project participants:

POINT FOUNDATION	STANFORD ALUMNI	ACT
Kelly Teevan, Project Sponsor	Charles Cagnon, Project Coordinator	Seth Fearey, ACT Coordinator
David Burnor	Marge Bushman	
Christine Goodson	John Campanella	
Keith Jordan	Jim Gregory	
Kathleen O'Neill	Jack Ladd	
Richard Nilsen	Bill Musick	
Howard Rheingold	William Pryor	
Tom White	Pam Seidenman	

Point established its goals for WER and for the project: to have more income and more impact.

- **Income** is defined as increasing readership from 35,000 to 100,000
  - sounder financial footing, i.e., more gross profit dollars for reinvestment, payments to authors, and staff.

- **Impact** was not specifically defined, although it implied that WER would have an impact on its readers, and that the readers would have an impact on their societies.

The Team *rejected* several hypotheses after preliminary analysis, such as:

- The Mission of Point needed clarifying:
  - Staff interviews indicated a common and legitimate purpose, namely, the primary mission is to publish the magazine.

- We must analyze Point as a whole, consisting of the WER, the *Well*, the book publication program and conferences:
  - Interviews with staff indicated that the magazine was the focus of their activities;
  - Subscriber overlap of only 1.5% between the *Well* and the WER;
  - The magazine dominates organizational economics and books and conferences are secondary.

- The magazine had outlived its usefulness:
  - Renewal analysis indicated that renewal rates were an acceptable 60% so subscribers were satisfied

After undertaking preliminary analysis, the Team concluded that the key problems facing WER were both revenue and organizational in nature.

What must Point do in order to accomplish its objectives of income and impact?

Organization and Planning

- Establish planning systems
- Establish individual roles and responsibilities
- Define essential publishing functions for applicability to WER

Marketing

- Determine readers/nonreaders views about the magazine.
- Define the reader, estimate potential market size by analogy and identify best prospects
- Review the magazine design and ergonomics to facilitate growth
- Optimize promotion, sales and distribution practices

Financing Growth

- Clearly understand current sales performance
- Model growth scenarios according to current methodology
- Model growth according to the existing or an optimistic scenario of the market opportunity. Determine whether business as usual will be satisfactory.
- Estimate financing requirements and options

Both the Staff and the Board agreed with this approach to analyzing the organization.

3. First: Is there a market?

- Niche definition
- Potential market size
- Product/editorial issues and suggestions

Based on a limited telephone survey*, WER readers define the magazine's value proposition as: "Unique, mind-expanding information that I use for personal development"

- Readers subscribe because WER:
  - Provides mind-expanding, down-to-earth information that cannot be found anywhere else;
  - Provides tools and ideas useful for personal development;
  - Is entertaining reading.

- Topics that readers find most interesting
  - Environment
  - Biology
  - Gardening
  - Health

- Topics that readers find less interesting
  - Radio & TV
  - Business
  - Travel
  - Music

* Note: Conclusions and recommendations presented here are based on a survey whose sample size was too small to be statistically valid and which may not be representative of the WER readership as a whole. (Interviews were conducted in the evenings with a sample of the minority of subscribers for whom Point had telephone numbers.) ACT strongly recommends that Point conduct a non-biased, statistically significant survey before making any decisions that may be based on this data. As such, the specific conclusions and recommendations presented should be viewed as preliminary in nature and in need of confirmation.

Based on the same limited telephone survey*, the average WER reader is very well educated, but with about average household income.

	WER Sample*	U.S. Adults**	Index (U.S.=100)
• Age			
- Median	37	40.4	92
- 25-44	78%	43.4%	180
• Sex			
- Male	~2/3	47.7%	143
- Female	~1/3	52.3%	61
• Income			
- Median Household	~$37,500 (1991)	$31,760*** (1990)	118
• Education			
- Attended College	90+%	35.6%	266
- College Graduate	90+%	17.5%	526
- Post-Graduate Study	~50%	7.8%	674

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** SOURCE: MRI Survey of American Consumers, 1990

*** SOURCE: Center for the Continuing Study of the California Economy, 1991 Edition

Employment concentration may be above-average in the education and literary fields and family composition and home ownership trends seem close to US averages.

	WER Sample*	U.S. Adults**
• Occupation		
- Professional	22%	8.6%
- Education/Literary	32%	N/A
- Managerial	0%	8.2%
- Technical	11%	2.5%
- Blue Collar	13%	N/A
• Home Ownership	~70%	64.2%***
• Household Size		2.63****
- Adults	~1.9	1.94****
- Children under 18	~1.0	0.69****

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** SOURCE: MRI Survey of American Consumers, 1990

*** SOURCE: Housing Vacancy Study, 3Q91

**** SOURCE: Current Population Report, No. 447, p. 20

There are three arguments that suggest that WER has a potential market larger than its current subscriber base. The next three pages describe these points.

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1. The fact that other organizations regularly rent WER's subscriber list suggests that their readers/members share an overlap of interests with readers of the Review. As a group, these organizations' member/subscribers would provide an adequate number of prospects for increasing WER's circulation.

2. Prior direct mail tests by Point confirm this theory. Portions of these tests had adequate response rates. The two best performing lists (New Options and Utne Reader) were also frequent WER list renters.

3. There are many magazines which the magazine industry categorizes similarly to WER. Recognizing that the content of many of these publications may differ widely from that of the Review, nevertheless, the consistency of their circulation sizes suggests that WER could increase circulation by merely performing at the category average.

[There may be other magazines where there is an overlap of reader interests. The subscriber survey indicated that WER readers are attracted to a wide variety of magazines. After more detailed study of these overlaps, the market potential that they represent could be determined. In any event, this overlap would be additive to any market potential discussed here.]

Frequent renters of WER's mailing list suggest a possible 40,000 to 60,000 increase in subscribers.

- The following organizations rented the WER mailing list twice or more in the past four years:

Name	Frequency of Rental	Active Subscribers/Members
Amnesty International	7	370,000
Worldwatch Institute	6	39,000
Utne Reader	5	233,000
Cultural Survival	5	11,000
Christian Science Monitor	4	62,000
Garbage Magazine	4	125,000
Sierra Club	3	415,000
Harper's Magazine	3	165,000
New Options Magazine	3	12,500
Planned Parenthood	3	296,000
World Monitor	2	293,000
Total		2,021,500

- The repeat rentals indicate that a significant number of WER subscribers respond to these organizations' messages and causes.
- We believe the response works both ways—subscribers/members of these organizations would respond to WER promotional campaigns.
- A series of well-structured direct mail campaigns should result in a 2-3% cumulative net response, increasing WER's circulation by 40,000 to 60,000 Readers.

Prior direct mail tests corroborate validity of frequent list renters.

- A 100,000 piece direct mail test was conducted in Fall, 1987. While overall response rates were low, the following publications achieved gross response rates in excess of 2%:

Name	Gross Response Rate	Active Subscribers/Members
Parabola Magazine	2.14%	25,000
Utne Reader	2.56%	233,000
New Options Magazine	5.51%	12,500

- Sierra Club was the only other frequent list renter on this test mailing, and while their gross response was less than 1%, the results from Utne and New Options would seem to confirm our assumption that the frequent list renters are good candidates for a direct mail campaign.

The circulation of other magazines in one of the categories* to which WER could be assigned also suggests that circulation could reach at least 75,000.

from Ulrich's *International Periodicals Directory* ('91-92):

- Among a group of selected, broad-interest "New Age Publications," WER's circulation size ranks in the bottom half (12 out of 22).
- Average circulation** of this group is almost 70,000, with seven titles at 75,000 or higher.

Name	Circulation	Name	Circulation
Body, Mind & Spirit	160,000	Music of the Spheres	10,000
Critique	25,000	New Age Journal	151,000
Gentle Places & Quiet Spaces	80,000	New Frontier	60,000
Guide Resources	40,000	The Quest	20,000
Holistic Living	22,000	Reflections, Quarterly Resource Journal	35,000
Inner Paths	33,500	Starlite Times	70,000
Insight Magazine	25,000	Venture Inward	90,000
Magical Blend	40,000	Whole Life	60,100
Many Hands	30,000	Whole Life Times	140,000
Master of Life	250,000	Wholistic Living News	75,000
Meditation	30,000	Yoga Journal	50,000

* Note: As defined by Ulrich's.
** These are not audited figures and could be inflated.

The telephone survey, renewal and newsstand performance suggest no fundamental "product" problems that might limit WER's ability to increase its market share.

- Renewals indicate the strength of WER's appeal to a small, select audience.
  - Subscriber base has held steady at 20,000 from issue 53 (Winter, 1986) to present without any significant direct mail promotion.
  - Conversions from all sources averaged 47% over the past year versus an industry average of 35%-45% for general interest consumer titles.
  - Renewals from all sources averaged 60% over the past two years versus an industry average of 50-60% for general interest consumer titles.

- Newsstand sell-through indicates the magazine is topical and visually appealing.
  - Average newsstand sell-through rates for the past year are 45%* versus an industry average of 35-45% for general interest consumer titles.

* Source: Results for Issue #66, which Whole Earth believes is representative of general performance.

ACT's limited telephone survey* indicates strong reader involvement and high overall satisfaction, reaffirming the assertion of no fundamental "product" problems.

	WER Sample*	Utne Reader Readers**
• Time spent with each issue		
- Average	3.4 Hours	2.7 Hours
• Number of times issue is picked up		
- Average	9.9 Times	4.9 Times
• Percent of the magazine actually read		
- Average	50-75%	N/A
• What was done with the last finished issue		
- Saved entire issue	95%	59%
• Rating of appearance and readability	8.6 out of 10	N/A
• Overall rating	9 out of 10	N/A

* Note: Conclusions and recommendations presented here are based on a survey whose sample size was too small to be statistically valid and too biased in its selection to be representative of the WER readership as a whole. ACT strongly recommends that WER conduct a non-biased, statistically significant survey before making any decisions that may be based on this data. As such, the specific conclusions and recommendations presented should be viewed as preliminary in nature and in need of confirmation.

** Source: Utne Reader Press Kit. July 1990 survey by MRI of 1,000 readers with 660 responses.

There are some comparatively minor "product" problems that may become more significant as WER grows and must broaden its appeal to a larger audience.

- WER-specific reasons for cancelling a subscription, compiled from 250 "Your Side" forms

- Prefer a different editorial content	15%
- WER has lost its editorial voice; no longer useful or relevant	13%
- Subscription rates make it more attractive to purchase selected issues on the newsstand	6%
- Too expensive for what I get	6%
- Poor editorial quality	4%
- Editorial tone is too "60's," too "California"	3%
- Editorial coverage is too provocative	3%

- Suggested improvements (listed in decreasing frequency) from ACT's limited telephone survey*
  - Better fulfillment service
  - Less editorial focus on technology
  - Better use of design and typography
  - More international coverage
  - Less "hype"
  - Less Bay Area coverage

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Market Opportunity Summary...

<u>WER</u> has good prospects for expanding its circulation. Key unknowns are whether readership reflects an important (and large) demographic group, and whether Point envisions them as its preferred reader.

- Current readers expressed strong satisfaction with the magazine. We should try to find more people similar to them.
- Subscriber demographics should be reviewed after the conclusion of a larger, more definitive survey.
- Subscribers are overeducated, but seem to have lower incomes than would be expected. Why? Is that important?
- Are these the people that Point believes are the right targets for achieving influence objectives?
- Point must be open to adjusting editorial to:
  - Ensure consistent quality of content and design;
  - Avoid undermining the messages in promotional efforts;
  - Be sensitive to what readers value.

4. What are the avenues to increased circulation and revenue?

- Modelling approach
- Approach 1: Maintain status quo
- Approach 2: Increase single copy sales
- Approach 3,4,5,6: Interplay of direct mail, advertising, and frequency of publication
- Approach 7: Membership organization
- Summary

Discussion of modeling approach

- In evaluating a number of planning scenarios, the ACT Team was provided with results of a proprietary Publishing computer model developed over the past 10 years by Ladd Associates, Inc. This model is a tool currently being used by dozens of consumer magazines to evaluate, project, and budget publishing plans including:
  - Smithsonian, Newsweek, National Geographic, Practical Homeowner, Rolling Stone, and others.

- The model provides a six-year analysis using a comprehensive set of publishing variables.

Caveats

- The modeling used assumptions and projections about the future which may or may not be realistic given editorial and publishing management capabilities and resources as well as publishing industry and macroeconomic conditions.

- Cost assumptions, renewal rates, and other performance measurements for WER's current situation were made using incomplete data from Whole Earth's records or estimates based upon existing data and industry judgments.

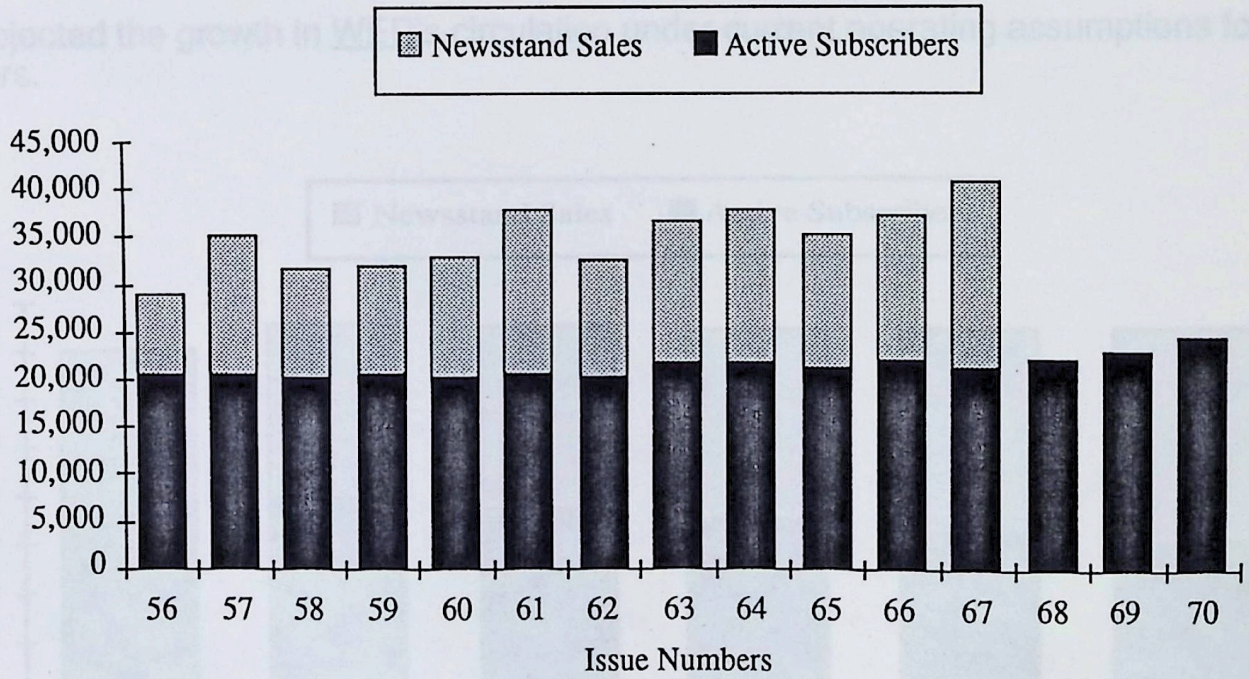
- Circulation growth and advertising sales assumptions were based upon reasonable industry norms, but appropriate market research and testing are necessary to assess the viability of each approach.

New subscribers over the past four years have come from low-investment, low-return sources.

- Sources of subscriptions over the past four years have been:
  - Gift Subscriptions
  - House Insert Cards
  - Exchange Insert Cards
  - Exchange Ads

- These sources have worked well, but are static and dependent on WER's current circulation base. They are passive sources and have limited potential in developing circulation.
  - They have maintained WER's subscriber base at 20,000 in the face of a nearly 50% subscriber attrition rate.
  - They are profitable sources of new subscribers and should not be discontinued.
  - But they simply do not reach a large enough audience with a strong enough "call to action" to be powerful promotional vehicles.

Circulation growth for the past four years has come from newsstand sales.



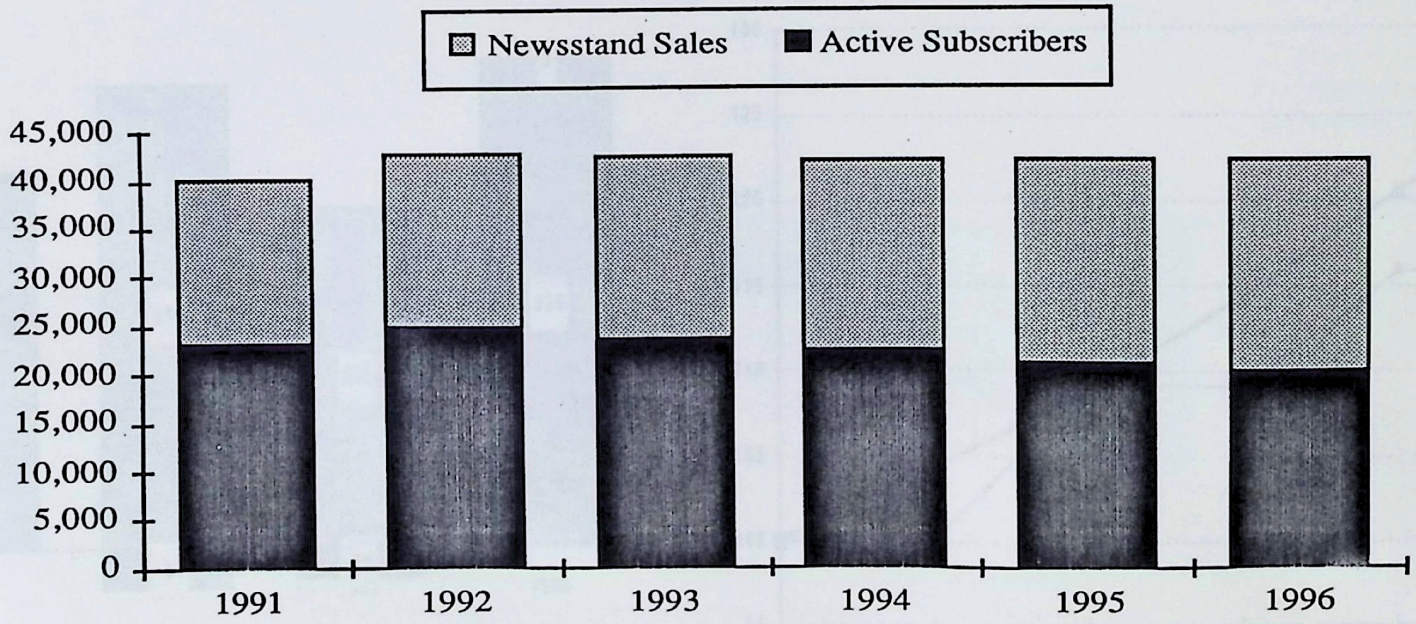
Note: Issues 58-61 are from 1988
Issues 62-65 are from 1989
Issues 66-69 are from 1990

Newsstand sales figures were not available for issues 68-70

Approach 1: Maintain status quo...

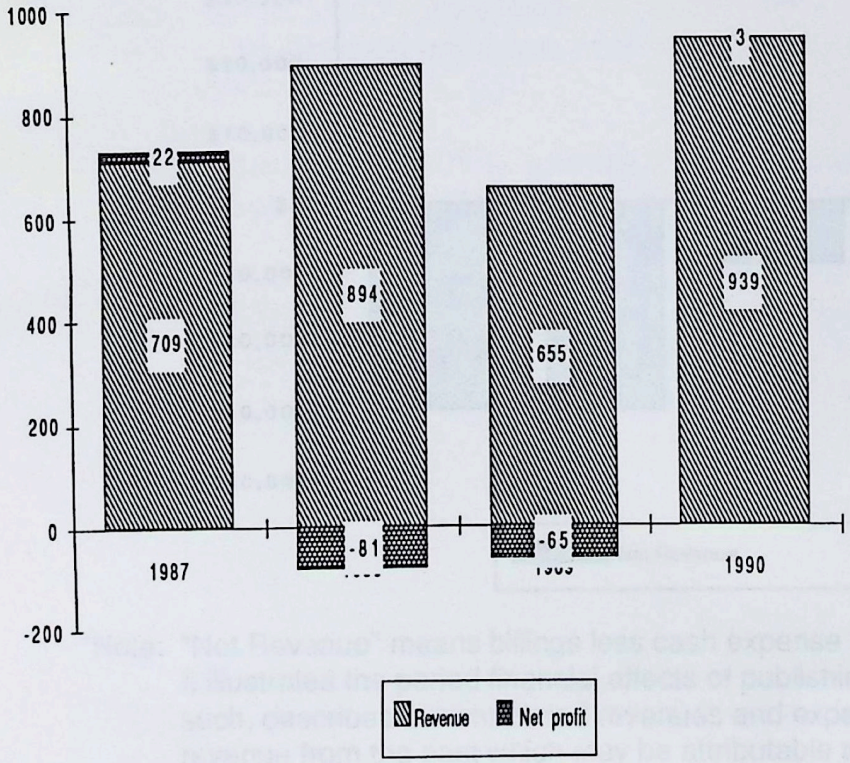
Under current conditions, circulation growth will stall at just over 40,000.

- ACT projected the growth in WER's circulation under current operating assumptions for the next five years.

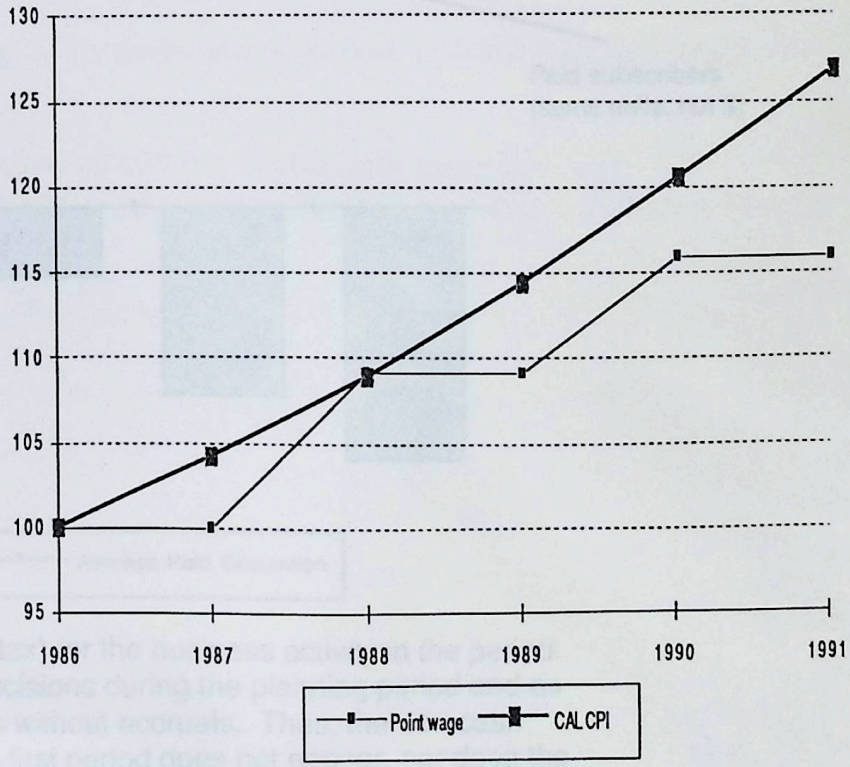


Financial performance over the past four years has been flat.

REVENUES AND PROFITS: POINT
($000)



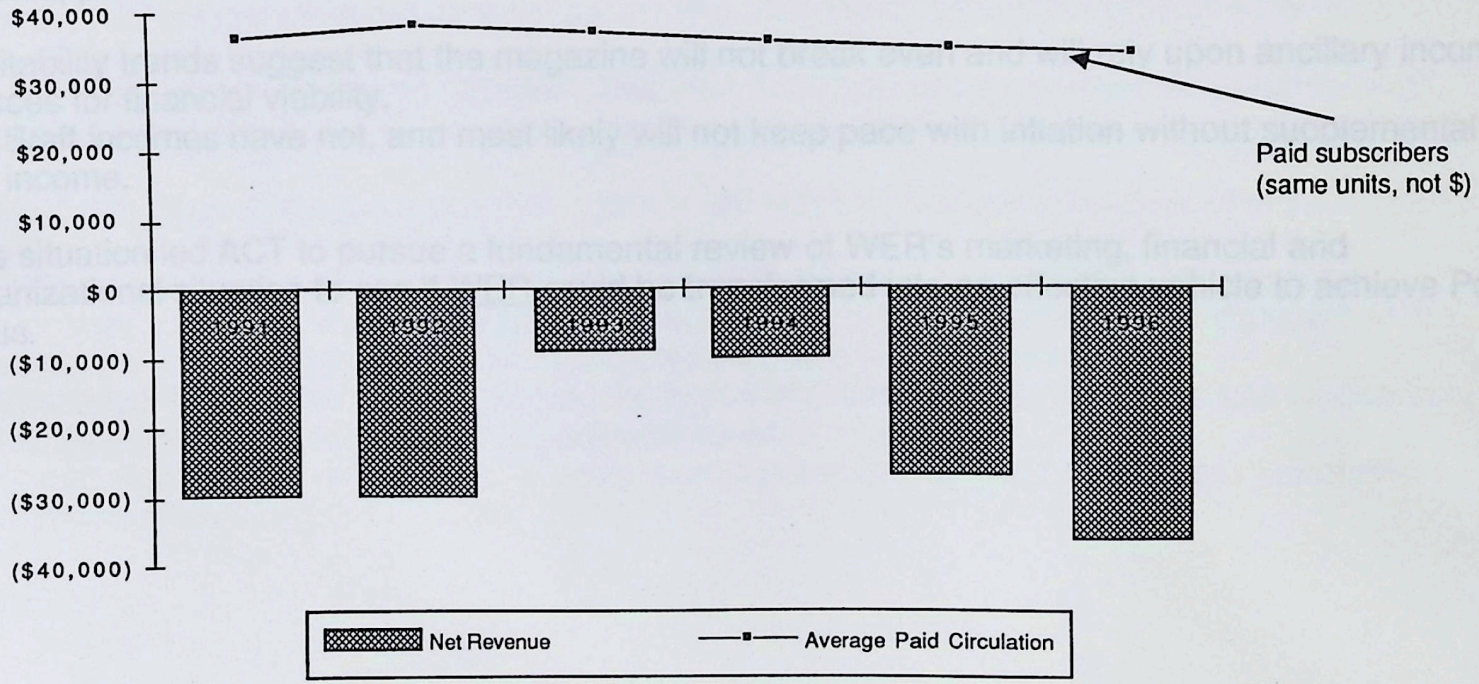
POINT WAGE RATE HAS LAGGED INFLATION*



SOURCE: California Dep't. of Industrial Relations

Furthermore, with the current operating structure, WER will continue to hover near break even.

- ACT projected WER's net revenue* under current operating assumptions for the next five years.



*Note: "Net Revenue" means billings less cash expense (pre-tax) for the business activity in the period. It illustrates the period financial effects of publishing decisions during the planning period and as such, describes current period revenues and expenses without accruals. Thus, the non-cash revenue from the past which may be attributable to the first period does not appear, nor does the subscription liability which is created in the last year appear.

Net revenues do not include ancillary income sources, such as list rentals and back issue sales.

Approach 1: Maintain status quo...

Therefore, without significant change, WER will not achieve its goals of increasing its impact and generating more income.

- With circulation stalled at 40,000, the Point's ability to create "impact" through WER is badly handicapped.
- Profitability trends suggest that the magazine will not break even and will rely upon ancillary income sources for financial viability.
  - Staff incomes have not, and most likely will not keep pace with inflation without supplemental income.
- This situation led ACT to pursue a fundamental review of WER's marketing, financial and organizational situation to see if WER could be transformed into an effective vehicle to achieve Point's goals.

Expanding newsstand sales requires an immediate investment in physical copies on newsstands but offers a potential circulation gain of only 10,000.

- Although almost all of WER's circulation growth over the past four years has come from newsstand sales, a very limited survey of alternative distributors* (three of the top eight were interviewed) suggests that newsstand sales among the existing alternative distributors may already be optimized.

- The three distributors surveyed together draw over 1800 copies and average 82% sell-through. Their success is a function of the size and classification of their dealers. Their most successful dealers are:

  - Speciality bookstores, because their patrons are readers, especially readers of the alternative press.
  - Political bookstores or newsstands for people who like to stay current on world events.
  - Centrally located or large newsstands, especially in a big city or college town because of the volume of traffic and the dealer's reputation as a place to find information.
  - The larger health food stores because the high traffic ensures that WER gets lots of exposure to the types of people interested in its editorial content.
  - Large, high-volume newsstands or bookstores located in neighborhoods where the resident demographics fit WER's editorial.

* Note: Conclusions and recommendations presented here are based on a survey whose sample size was too small to be statistically valid and too biased in its selection to be representative of WER distribution as a whole. ACT strongly recommends that WER conduct a more thorough survey before making any decisions based on this data. As such, the specific conclusions and recommendations presented should be viewed as preliminary in nature and in need of confirmation.

Optimizing newsstand sales... con't.

- Distributors suggest that some sales gains among their dealers are possible, ***but are more likely to come from improvements in the magazine*** than from improvements in distribution:
  - Two of the three distributors feel that they have already maximized WER sales throughout their territory.
  - Two distributors suggested that since WER sells on content, sales would increase by improving the quality of the editorial and making sure the cover and table-of-contents work hard to convey those improvements.

- The situation with WER's national wholesaler—Warner/Dell—is unknown. ACT recommends using findings from an expanded alternative distributor survey to help Warner/Dell optimize their distribution strategy.

- The biggest opportunity for newsstand growth could come from expanding WER's geographic coverage. ACT recommends that WER review distributors' geographic coverage to ensure that WER has a comprehensive retail presence throughout the U.S. and abroad.

- ACT estimates that the combined effect of all the above actions undertaken with a concerted effort, together with a natural growth in newsstand sales, offers the potential to increase newsstand circulation by 10,000 over the next three to five years.

Approach 3-6: Direct Mail, Publication Frequency and Advertising...

Direct marketing offers the potential to double or triple the subscriber base, but requires a large initial investment.

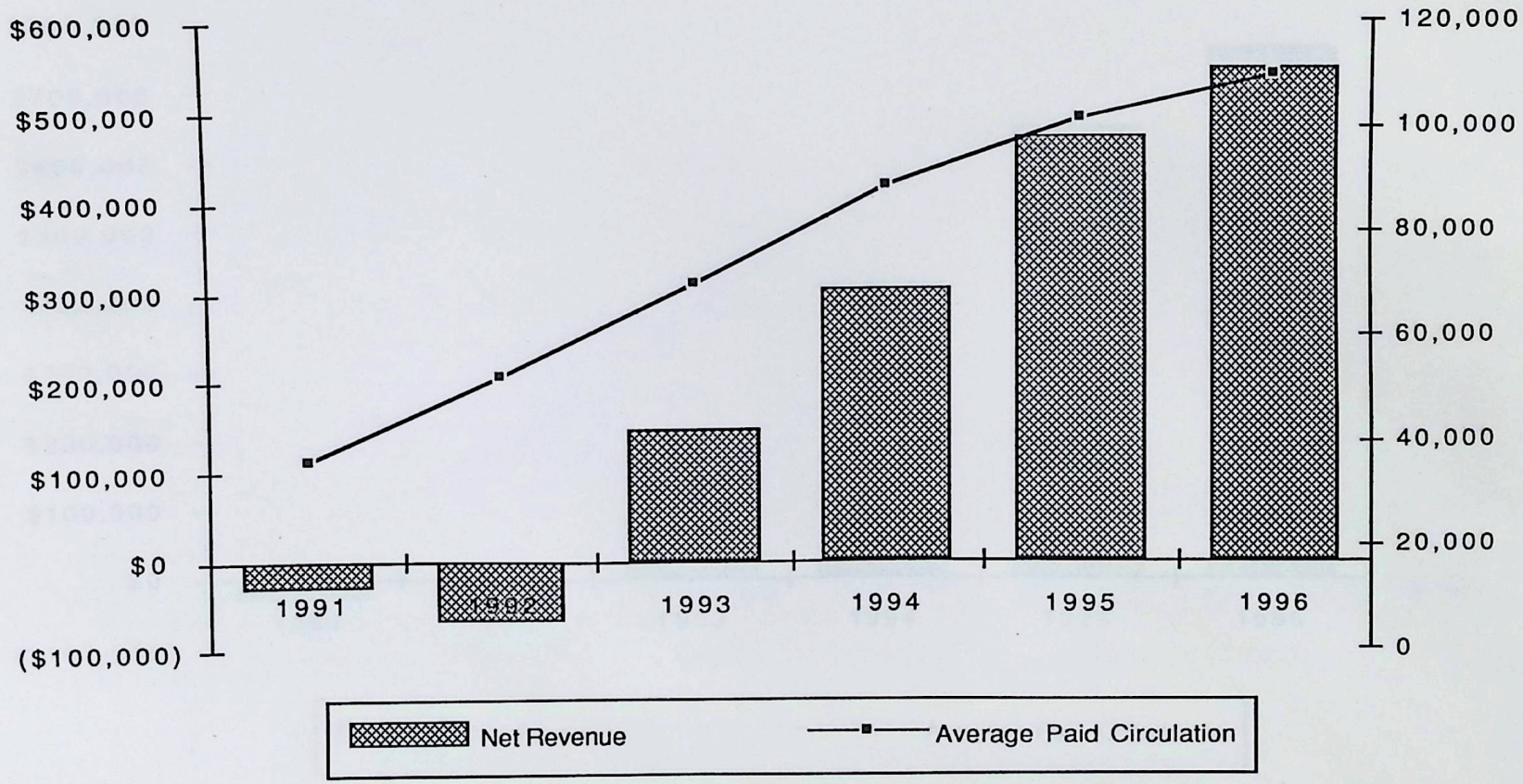
- ACT ran four scenarios to evaluate the interplay of direct mail, advertising and frequency of publication:

Approach:	Annual Sub. Price	# Issues per Year	1992 DM Pieces	Advertising Status	1992 Ad pages/issue	Estimated Investment
3	$23.00	4	1 million	No ads	0	$300,000
4	$23.00	4	1 million	With ads	10	$350,000
5	$25.00	6	1.5 million	No ads	0	$400,000
6	$25.00	6	1.5 million	With ads	10	$600,000

Please see Appendix for more assumptions in models.

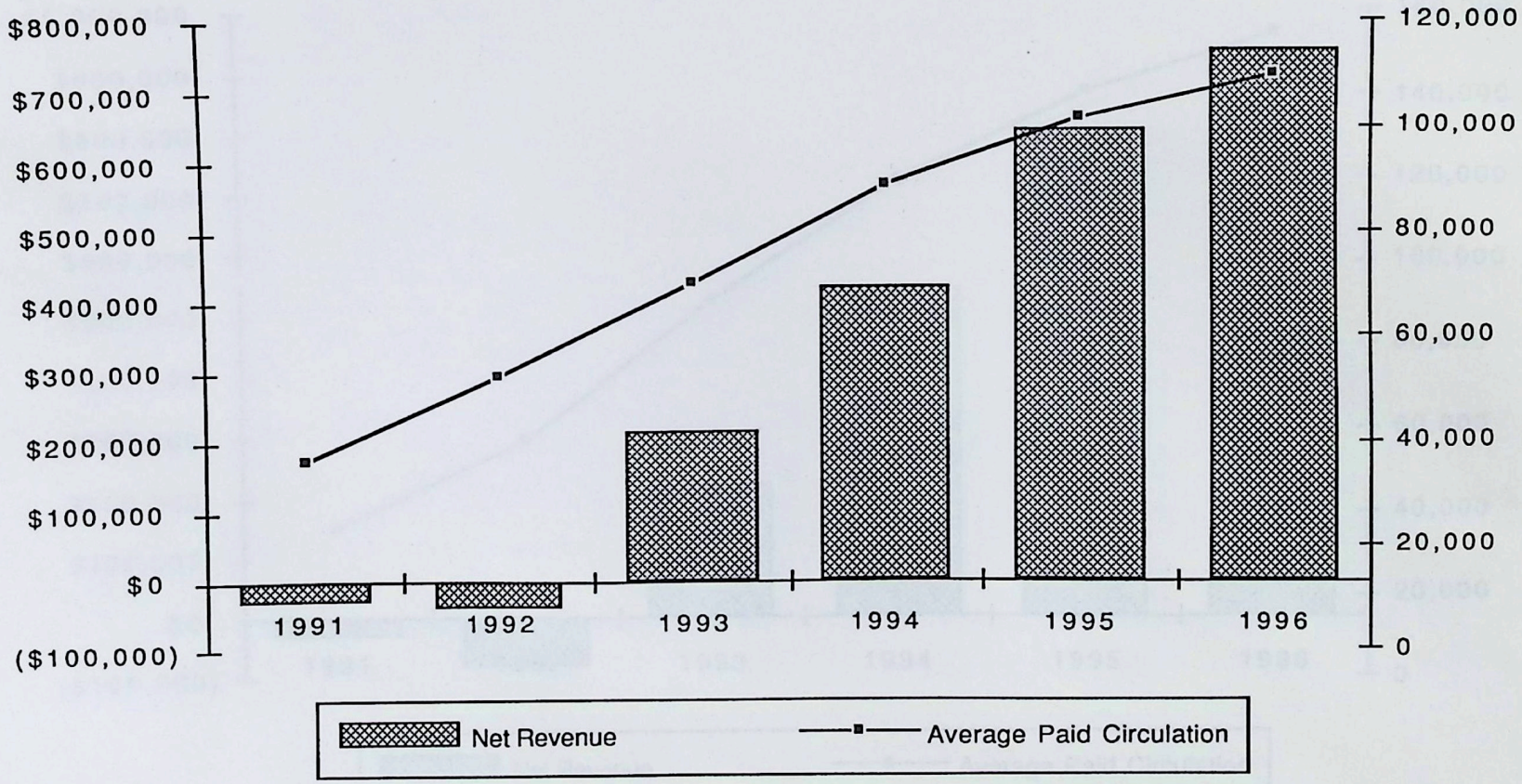
- The limited telephone survey indicated subscriber preference or acceptance of appropriate advertising and a more frequent publishing schedule.
- Advertising serves as a source of funds for direct mail, and increased publication frequency increases advertising revenue.

A consistent direct marketing effort over the next five years could double or triple the circulation base for WER.



Direct mail pieces mailed per year:	0	1.0 M	1.5 M	2.0 M	2.0 M	2.0 M
Average response rate:	3.75%, with 50% non pay					

An advertising sales program can improve the profitability of the magazine by up to 20% with the same circulation and provide enhanced value to the reader.

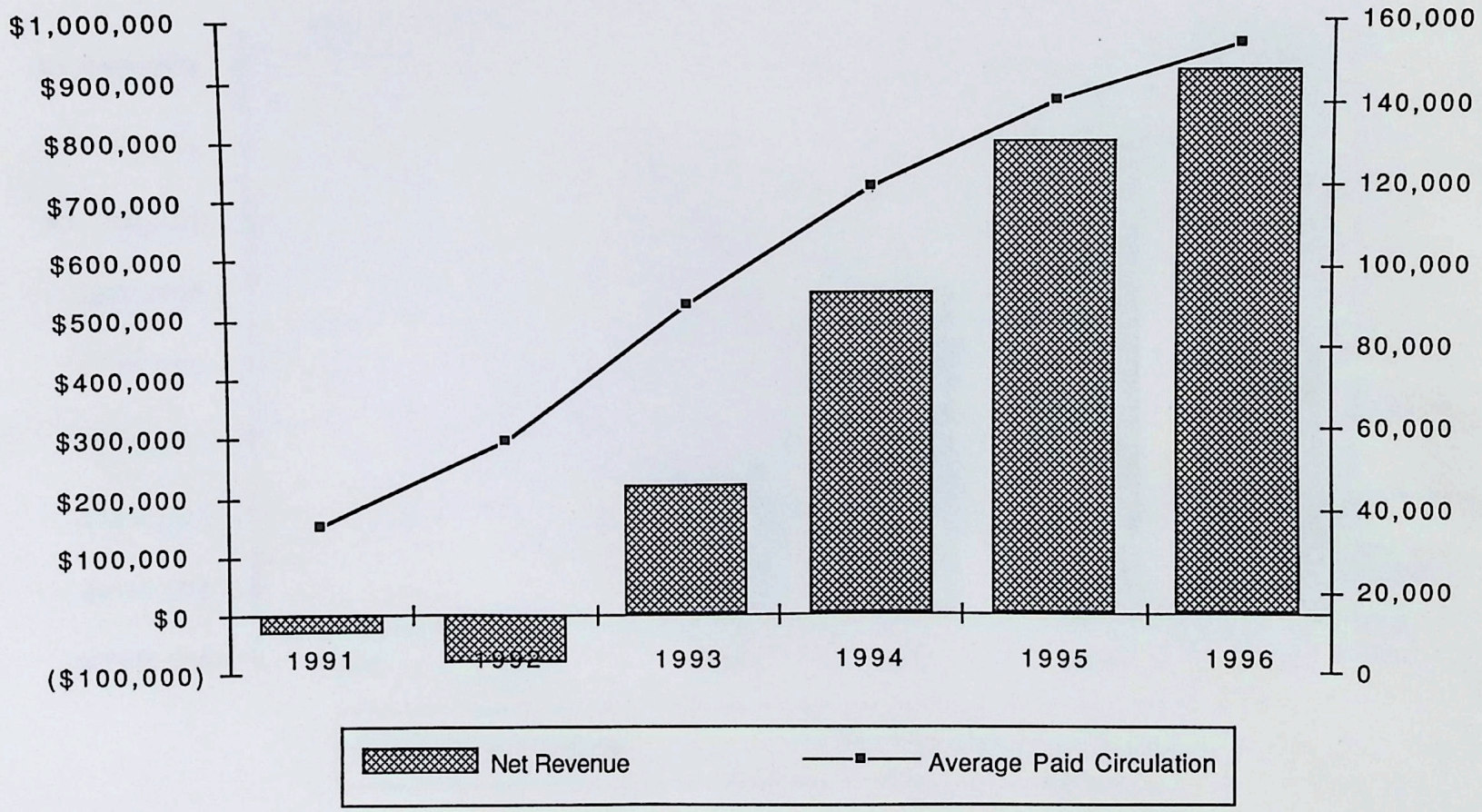


Direct mail pieces/yr:	0	1.0 M	1.5 M	2.0 M	2.0 M	2.0 M
Ad pages / issue:	0	10	12	15	18	20

Average response rate: 3.75%, with 50% non pay

Approach 5: Heavy Direct Mail and Increased Publication Frequency --No Advertising...

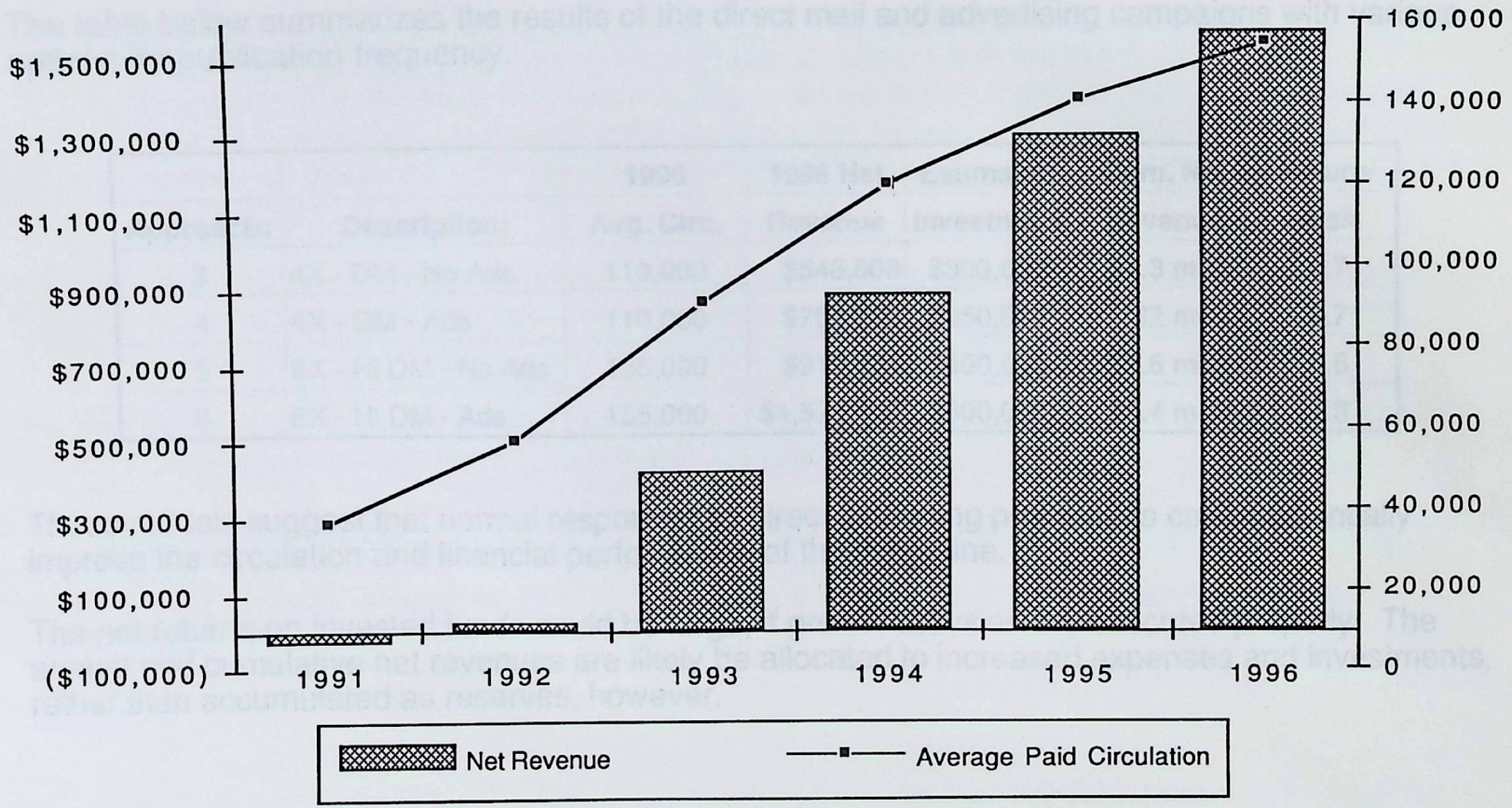
Increasing the number of issues to six per year and increasing direct mail promotions by 50% improves the circulation and financial performance of the magazine.



Direct mail pieces mailed per year:	0	1.5 M	2.5 M	3.0 M	3.0 M	3.0 M

Average response rate: 3.75%, with 50% non pay

Combining modest advertising with increased promotions could offer greater upside.



Direct mail pieces/year:	0	1.5 M	2.5 M	3.0 M	3.0 M	3.0 M
Ad pages / issue:	0	10	12	15	18	20

Assumes six issues per year with direct mail campaign. Response rate: 3.75%, with 50% non pay

Direct mail growth scenario summary.

- The table below summarizes the results of the direct mail and advertising campaigns with various options for publication frequency.

Approach:	Description:	1996 Avg. Circ.	1996 Net Revenue	Estimated Investment	Cum. Net Revenue	Return/ Risk
3	4X - DM - No Ads	110,000	$546,808	$300,000	$1.3 million	4.7
4	4X - DM - Ads	110,000	$758,709	$350,000	$2 million	5.7
5	6X - Hi DM - No Ads	155,000	$919,374	$400,000	$2.6 million	6.6
6	6X - Hi DM - Ads	155,000	$1,571,469	$600,000	$4.4 million	7.3

- These models suggest that normal responses to direct marketing promotions can substantially improve the circulation and financial performance of the magazine.

- The net returns on invested funds could be large, if growth activities are executed properly. The annual and cumulative net revenues are likely be allocated to increased expenses and investments, rather than accumulated as reserves, however.

Promotional success hinges on correct positioning of both the direct mail piece and subsequent issues of the magazine.

- The direct mail piece must clearly convey WER's unique benefits to readers.
  - ACT's limited telephone survey indicated that readers defined the magazines value proposition as "Unique, mind-expanding information that I use for personal development."
  - This benefit statement must first be confirmed or refined, then be clearly and cleverly represented on the direct mail envelope, reinforced in the letter, and demonstrated by example in the creative accompaniment.

- Promotional pieces must map the magazine's unique benefit to readers' preferred subjects.
  - For example, ACT's limited telephone survey indicated that Environment, Biology and Gardening and the three most interesting subjects to readers.
  - Computers and Politics ranked lower.
  - ACT recommends that WER review the positioning and content of direct mail pieces from leading peer magazines-*Utne Reader* as one example.

- The first issue of WER sent to new subscribers must support direct mail positioning and subject choice.
  - Pay-up rates will be low if the reader doesn't receive what WER's direct mail piece promised.

The success of a direct mail campaign requires strong management of both the circulation and editorial functions.

- The first issue of WER sent to new subscribers must support positioning and subject choice as promised in the direct mail piece. Greater responsibility is placed on the Circulation Manager and Editor to:
  - Agree on the proposed positioning;
  - Be aware of drop dates for mailings;
  - Understand why response rates and pay-up rates differ from the industry averages.

- For direct mail to succeed in building a base of renewing subscribers, the editorial department must be closely managed.
  - Editorial staff must be held accountable to produce issues that consistently deliver on the benefit statement promised in the direct mail piece.
  - Editorial staff must produce issues that consistently reflect, and occasionally anticipate, those topics most interesting to readers;
  - Editorial staff must have the latitude to lead the reader toward topics that they may not realize they are interested in.

- Editorial and circulation will not be successful in their new responsibilities unless they have a very clear understanding of who the reader is and why he or she subscribes to WER.
  - An aggressive promotional campaign requires an investment in thorough and periodic reader profiles, focus groups and surveys to continually rediscover what WER provides that is important to the reader and why he or she spends time and money to read it.

Approach 7: Membership organization.....

Another way to expand might be to become a membership organization. Readers overwhelmingly feel that they are part of a group engaged in a dialogue. This group spirit might be productively built upon, but is not sufficient by itself.

Model Membership Organizations	Sample Services Provided
Smithsonian	Magazine
Audubon	Audio and video tapes
National Geographic	Books
National Public Radio	Lectures, seminars and slide shows
The Commonwealth Club of California	Catalog of products and services
The Museum Society	Group travel

Such Membership Organizations:

- Increase feeling of belonging and encourage subscriber loyalty
- Provide a group of peers and create a forum for discussion
- Allow for participation for those who prefer media other than print
- Allow additional ways to grow subscriber base and increase revenue

Growth Option Summary

• Status quo:	Insufficient for achieving circulation growth and impact goals
• Newsstand	Represents a modest upside potential; ultimately inadequate alone.
• Direct Mail	Requires at least $100,000 investment to grow at targeted rates over five years. Properly executed, and with editorial cooperation, normal industry response rates to direct mail promotions could offer significant improvements to WER's circulation and profitability.
• Advertising	Not necessary on its own but a source of funding for direct mail and possibly an accepted or desired feature by readers.
• Membership	An interesting complement to the above growth options. Inadequate on its own.

5. Sustaining growth: organizational development and business planning.

Any of the previously mentioned changes would be useless without parallel development of the Foundation's culture, planning process, and job responsibilities. Therefore the Foundation should:

- Support development of managerial and team skills as the organization evolves from an individual-focused culture to a manager/work team environment.

- Carry out the next steps of the strategic planning process and follow with an annual tactical planning framework.

- Evolve job functions and responsibilities as the organization and its environment change, using the work team as primary agent.

Evolution of the culture to a manager/work team environment

- To achieve desired growth and deal with increasing sophistication, managerial and team-building skills need to be developed:

  - Managers should receive basic management and team leadership training.

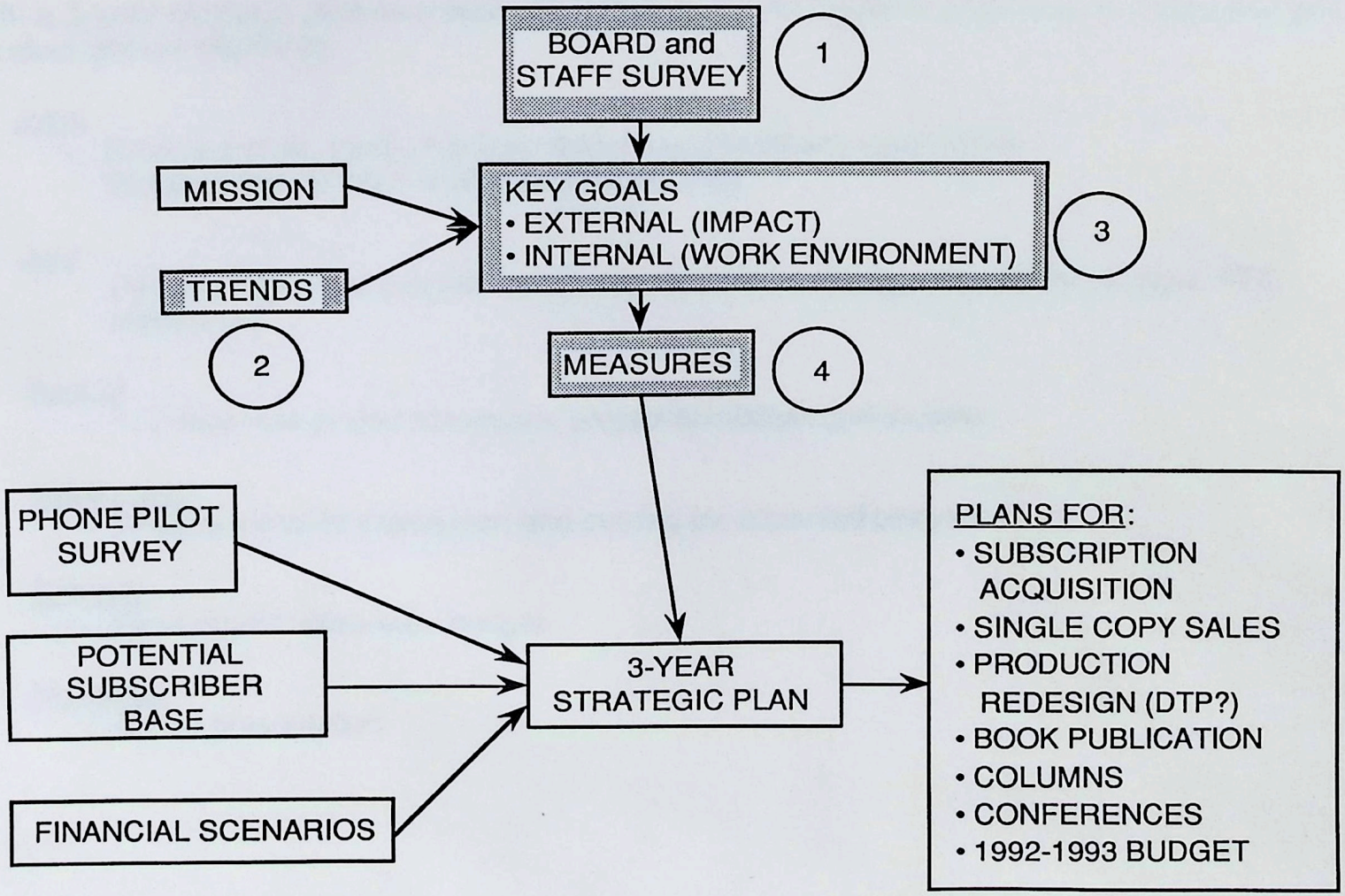
  - All employees should be trained informally by managers in team process skills using the planning and job responsibilities recommendations as a laboratory.

  - A basic structure of goals and measures arrived at through either one-on-one or team meetings should be the norm for setting expectations and organizational direction.

Next steps in strategic planning

- Few concrete goals exist to guide the organization in setting direction.
- A planning process has been outlined to develop a 3-year plan. This process should be carried out using work team input.

The existing planning approach is workable and should be pursued.



Simplification of Kelly Teevan's "Crossing the Road" diagram.
Please see Appendix for description of shaded activities.

Annual tactical planning process

- With a 3-year strategic plan as a base, the following model could be used to re-evaluate that plan and conduct annual planning:

  - June
    - Review trends, goals, mission, and measures for any adjustment
    - Working draft of each team's budget outlined

  - July
    - Develop high-level program proposals directed at change (description, budget, FTE, measures)

  - August
    - Prioritize new projects/changes; project circulation and income

  - September
    - Develop detailed description and costing for approved programs

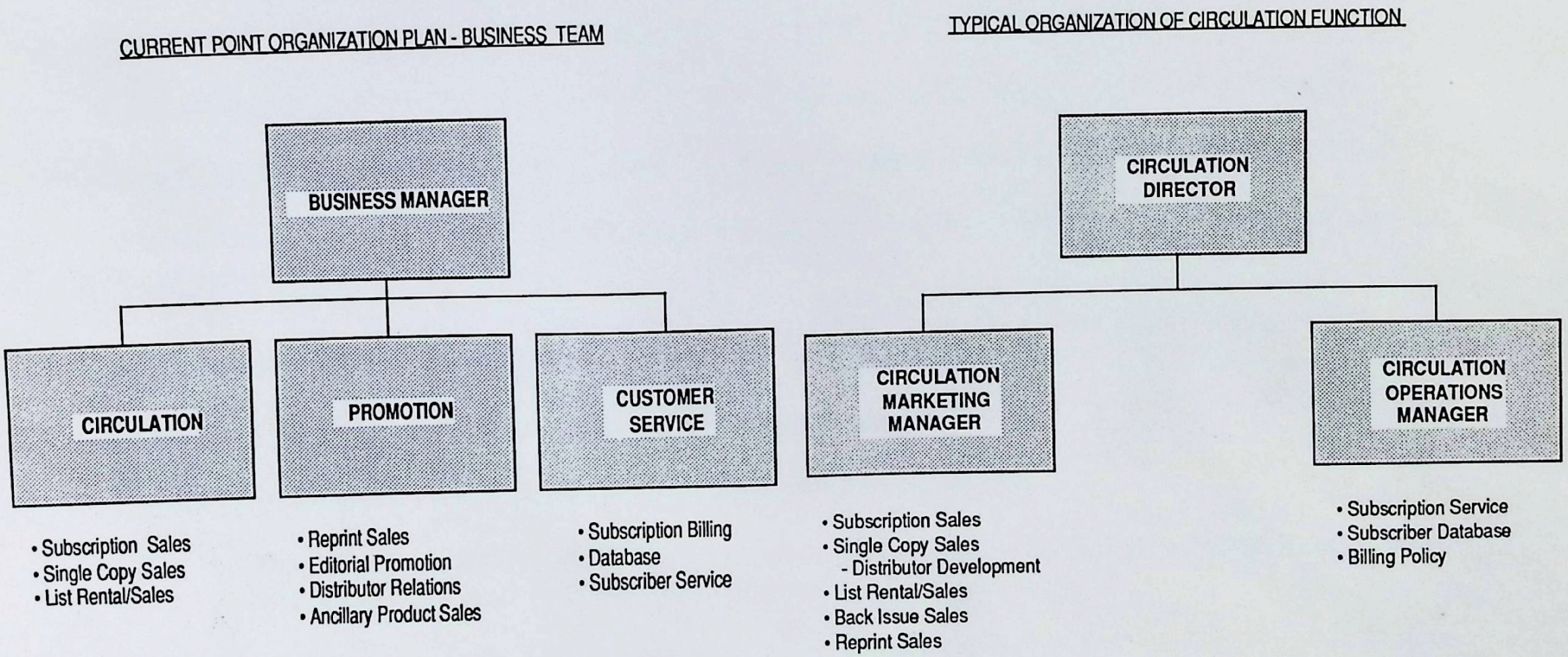
  - October
    - Final organization-wide budget

  - November
    - Board presentation

Evolution of job responsibilities

- Job design is a function of the organization's needs and individual skills (both of which change over time) - no one solution is right for all organizations.
- The critical issue is to periodically evaluate functions to ensure that there are no gaps or overlaps.
- Work teams are an excellent setting in which to evaluate inputs and outputs of each person and the team as a whole in order to identify gaps or redundancies.

One example: Point's Business Manager is the overall Circulation Director who must carefully establish roles and responsibilities for the Circulation, Promotion, and Customer Service managers.



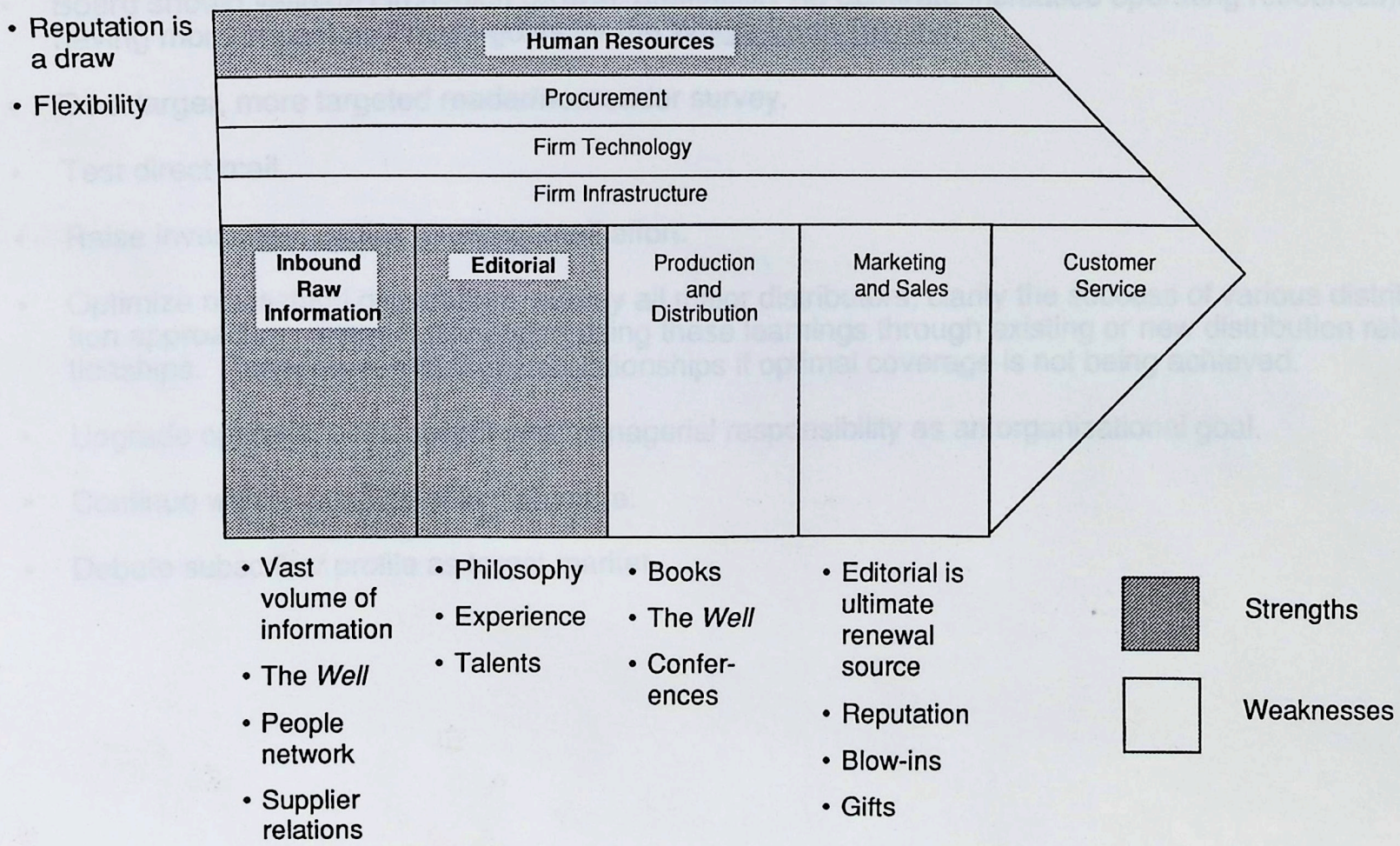
6. Summary and recommendations

Summary and conclusions

- Point has an attractive business franchise in the WER
- WER has a loyal and supportive readership that wants it to survive.
- Point staff have personal goals related to being more prosperous and effective.
- WER exists in a sufficiently large market that substantial growth seems possible at this time.
- Reader views do not suggest any great divergences between readership and editorial approach.
- Demographics of readership suggest a slight divergence between this readership and that of other magazines
  - Better targeting necessary.
- WER should experiment with direct mail as a growth vehicle.
- Newsstand distribution is a secondary opportunity for growth.
- Readers will accept advertising but it is not clear that it is necessary.
- WER is competitively advantaged because of the systems established to garner, sort through and communicate about vast quantities of input information. (See next page.)
- WER will not realize its goals until it professionalizes its operations.

Summary of competitive strengths and weaknesses of Whole Earth Review.

Below is a tool which represents the strengths and weaknesses of specific overhead and production functions in a firm.



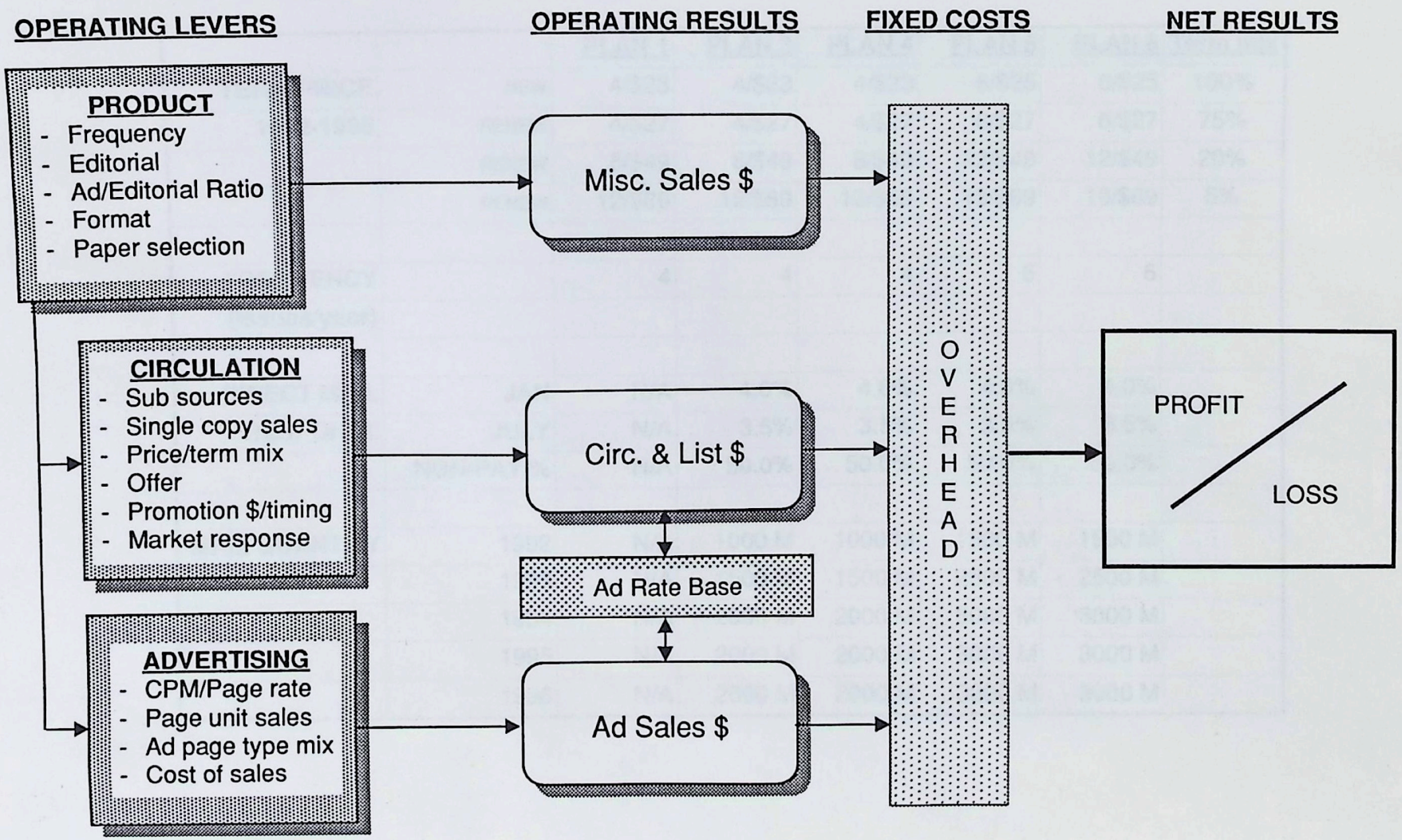
Recommendations.

- Board should validate circulation growth, profitability (to generate increased operating resources)and having more impact as Point's goals for the Whole Earth Review.
- Do a larger, more targeted reader/nonreader survey.
- Test direct mail.
- Raise investment capital for direct mail effort.
- Optimize newsstand distribution: survey all major distributors; clarify the success of various distribution approaches; expand distribution using these learnings through existing or new distribution relationships. Renegotiate distribution relationships if optimal coverage is not being achieved.
- Upgrade operational teamwork and managerial responsibility as an organizational goal.
- Continue with existing planning structure.
- Debate subscriber profile as target market.

APPENDIX

Growth options...

There are three ways to grow circulation and/or profitability. The Team analyzed each of them.



Source: Ladd Associates, Inc.

Growth model...

Six year models were run to examine possible financial results.

		PLAN 1	PLAN 3	PLAN 4	PLAN 5	PLAN 6	Term mix
TERM/PRICE	NEW	4/$23	4/$23	4/$23	6/$25	6/$25	100%
1992-1996	RENEW	4/$27	4/$27	4/$27	6/$27	6/$27	75%
	RENEW	8/$49	8/$49	8/$49	12/$49	12/$49	20%
	RENEW	12/$69	12/$69	12/$69	18/$69	18/$69	5%
FREQUENCY		4	4	4	6	6	
(issues/year)							
DIRECT MAIL	JAN	N/A	4.0%	4.0%	4.0%	4.0%	
RESPONSE	JULY	N/A	3.5%	3.5%	3.5%	3.5%	
	NON-PAY %	N/A	50.0%	50.0%	50.0%	50.0%	
MAIL QUANTITY	1992	N/A	1000 M	1000 M	1500 M	1500 M	
	1993	N/A	1500 M	1500 M	2500 M	2500 M	
	1994	N/A	2000 M	2000 M	3000 M	3000 M	
	1995	N/A	2000 M	2000 M	3000 M	3000 M	
	1996	N/A	2000 M	2000 M	3000 M	3000 M	

Growth model...

Financial model assumptions, con't.

		PLAN 1	PLAN 3	PLAN 4	PLAN 5	PLAN 6
TOTAL BOOK SIZE		148	148	148	100	100
AD PAGES	1991	0	0	0	0	0
	1992	0	0	40	0	60
	1993	0	0	48	0	72
	1994	0	0	60	0	90
	1995	0	0	72	0	108
	1996	0	0	80	0	120
AD SALES	1991	$0	$0	$0	$0	$0
EXPENSE	1992	$0	$0	$43	$0	$57
(OOO)	1993	$0	$0	$49	$0	$89
	1994	$0	$0	$63	$0	$127
	1995	$0	$0	$77	$0	$170
	1996	$0	$0	$88	$0	$208
EDITORIAL						
BUDGET (000)	ALL YEARS/YR	$185	$185	$185	$228	$228

Employment data from telephone survey

	RAW	CLUSTERED		
TECHNICAL	4	4		
EDUCATION/LITERARY	12		CLERICAL	3%
Teacher/educator		4	GRAPHICS	5%
Librarian		3	BUSINESS/COMMERCIAL	8%
Writer		2	HOMEMAKER	8%
Bookstore/publishing		2	HEALTH SERVICES	11%
Professional indexer		1	PROFESSIONAL	11%
GRAPHICS			TECHNICAL	11%
free lance designer, teacher	2		BLUE COLLAR	13%
typesetter & graphic artist			EDUCATION/LITERARY	32%
HEALTH SERVICES	3			
Psychiatrist				
SOCIAL WORK				
Veterinarian				
BUSINESS/COMMERCIAL	3			
Sales		2		
Country disk jockey				
BLUE COLLAR	5			
FORESTRY				
Property remodeling, rental				
DRIVER, LA TIMES				
carpenter				
EMERGENCY DRIVER				
PROFESSIONAL	5			
SOFTWARE; WIFE IS PSYCHOLOGIST				
LEGAL ASSISTANT				
NURSE PRACTITIONER				
Architect				
Environmental consultant				
CLERICAL	1			
Bank mortgage customer services				
HOMEMAKER	3	3		

Steps for implementing the strategic planning model.

I. Staff Survey

Objective: To gather information from staff regarding trends and external and internal goals for the future as well as barriers to overcome to make them happen.

Process:

1) Develop a survey asking general questions about the above categories with follow-on questions about how they could measure whether a goal was being met or not;
2) Distribute the survey and have them returned to each team manager;
3) Hold team meetings to review and share thoughts, list important trends, determine which goals can be accomplished within the work team - i.e. no other people outside the team required, and which need larger organization buy-in, and prioritize the goals/ideas in each of the two categories:team/Foundation.
4) Provide results to Strategy Committee consisting of no more than six people including at least one representative of each work team;
5) Next, the Strategy Committee reviews the input and develops a strategy document which synthesizes the input;
6) The committee's results are reviewed in work teams and any further input is brought back to the committee for changes as appropriate.

II. Trends

Objective: Gather thoughts of key stakeholders on trends in competition, technology, demographics, business environment, and any other areas which could significantly impact the Foundation over the next 3-5 years.

Process: Use employee surveys and potentially incorporate in put from selected outsiders: board, ACT members, etc.

III. Key Goals

Objective: Identify 3 top priority goals for each of two categories: external impact and internal work environment.

Process: See #1 above.

IV. Measures

Objective: For each of the top priority goals, determine what will be the best measure of whether the goal is being met and what data collection if any will be required.

Process: See #1 above.